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BEFORE THE TENNESSEE REGULATORY AUTHORITY

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IN RE:

APPLICATION OF JACKSON ENERGY  
AUTHORITY FOR A CERTIFICATE OF  
CONVENIENCE AND NECESSITY TO  
PROVIDE TELECOMMUNICATIONS  
SERVICES AS A CARRIERS' CARRIER

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T.R.A. DOCKET ROOM

Docket No. 03-00438

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PRE-FILED REBUTTAL TESTIMONY  
OF  
JOHN W. WILLIAMS,  
PRESIDENT AND CHIEF EXECUTIVE OFFICER,  
JACKSON ENERGY AUTHORITY

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1 I, John W. Williams, do hereby testify as follows in support of the Application of the Jackson  
2 Energy Authority ("JEA") for a Certificate of Convenience and Necessity as a Carriers' Carrier  
3 (the "Application") to provide certain telecommunications services in Madison County,  
4 Tennessee:

5  
6 **Q: PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

7 A: My name is John W. Williams. I am the President and Chief Executive Officer of the  
8 Jackson Energy Authority. JEA's principal office is located at 119 East College Street in  
9 Jackson, Tennessee.

10  
11 **Q: HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?**

12 A: Yes. I submitted pre-filed direct testimony in support of JEA's Application, which was  
13 filed on July 15, 2003.

14  
15 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

16 A: The purpose of my testimony is to respond to aspects of the pre-filed testimony of Mr.  
17 William J. Barta, which was submitted on behalf of Charter Communications in this  
18 docket.

19  
20 **Q: PLEASE SUMMARIZE YOUR TESTIMONY.**

21 A. In his pre-filed testimony, Mr. Barta raises questions concerning operational and  
22 accounting aspects of the entire JEA Telecommunications Division, including its cable  
23 and internet business units. He appears to suggest that JEA has intentionally structured

1 its operations to avoid TRA regulation and oversight. I want to assure the Directors that  
2 Mr. Barta's allegation is absolutely untrue. As our business model has evolved over  
3 time, the direct role of JEA in telephone operations has changed and, in fact, has  
4 declined. However, this change in the telephone business unit's role is the product of our  
5 present carriers' carrier business model and not the product of any effort to shift  
6 operations from the telephone business unit to another business unit in order to minimize  
7 the role of the Authority.

8  
9 Mr. Barta also poses accounting and regulatory questions concerning the telephone  
10 business unit. I believe that additional detail concerning the operational and financial  
11 aspects of the telephone business unit will help put the telephone business unit in  
12 perspective compared to JEA's cable and internet business units, and I have asked Mr.  
13 Kim Kersey to file pre-filed rebuttal testimony to address these issues.

14  
15 Mr. Barta also suggests that JEA has not submitted sufficient information concerning the  
16 financial and operational aspects of the cable and internet operations in order to permit  
17 the Authority to analyze the entire operations of the Telecommunications Division as a  
18 whole. We respectfully believe that the cable and internet aspects of our business plan  
19 are beyond the scope of this proceeding, but I have also asked Mr. Kersey to provide  
20 additional information concerning the fundamentals of its cable business plan. I have  
21 asked Mr. Dana R. Wheeler to update the Directors concerning the status of JEA's cable  
22 system financing, and I will affirm JEA's commitment to utilizing the cost allocation  
23 manual in each business unit within the Telecommunications Division.

1  
2 Finally, Mr. Barta suggests that the Directors should review JEA's treatment of certain  
3 start-up costs that have been incurred through September 30, 2003. While many of these  
4 costs are associated with JEA's cable and internet business units, I have asked Mr.  
5 Wheeler to provide the Directors with further detail concerning the amounts and the  
6 Telecommunications Division's arrangements to repay these start-up costs.

7  
8 Some of the issues that Mr. Barta raises involve aspects of the cost allocation manual,  
9 and I have asked Dwight Work to separately submit pre-filed testimony in response to  
10 issues concerning the JEA cost allocation manual.

11  
12 **Q. PLEASE DESCRIBE JEA'S ORIGINAL BUSINESS MODEL FOR ITS**  
13 **TELECOMMUNICATIONS DIVISION.**

14 A. Initially, we anticipated that JEA would provide the full range of cable, internet and  
15 telephone services directly to end use customers. Under this business model, the  
16 telephone business unit would have a greater role from an operational standpoint. For  
17 example, the telephone business unit would have been responsible for providing all end  
18 use services required by law or regulation, for negotiating an interconnection agreement  
19 with BellSouth, for negotiating arrangements with long distance carriers, and for  
20 handling dialing parity and numbering issues. JEA's telephone business unit would also  
21 have been required to establish an interface with the fiber to the home network, to  
22 purchase a soft switch (a soft switch translates voice traffic from Ethernet IP protocol to

1 traditional TDM voice protocol to allow interconnection with BellSouth) and to make  
2 arrangements for the interconnection with BellSouth.

3  
4 **Q. PLEASE DESCRIBE JEA'S CURRENT BUSINESS MODEL.**

5 A. As the JEA business plan has evolved, we have elected to adopt a carriers' carrier model  
6 for the telephone business unit, and the telephone business unit will provide transport  
7 services to CLEC customers instead of providing retail services directly to end use  
8 customers. JEA will utilize the fiber to the home network to provide cable television  
9 services directly to end use customers and will provide internet services, either directly,  
10 or in combination with one or more internet service providers.

11  
12 **Q. ON PAGE 11, LINES 20-25 OF HIS TESTIMONY, MR. BARTA SUGGESTS**  
13 **THAT IF THE TELEPHONE BUSINESS UNIT IS "A VERY SMALL PART OF**  
14 **THE OPERATIONS OF THE TELECOMMUNICATIONS DIVISION," THEN**  
15 **THE NETWORK CANNOT SUPPORT ECONOMIC DEVELOPMENT. PLEASE**  
16 **RESPOND TO THIS COMMENT.**

17 A. Mr. Barta makes the same comment in several places in his testimony, and I submit that  
18 he is simply wrong.

19  
20 I am regularly involved in economic development activities. I have participated as a core  
21 member of Team Madison County. While I have been Chief Executive Officer of  
22 Jackson Energy Authority, the JEA Board, the JEA management team and I have helped  
23 facilitate the recruitment and/or expansion of the following businesses and industries in

1 the Jackson- Madison County area: ARJ, Bodine/Toyota, Delta Faucet, Maytag, Owens  
2 Corning, Porter Cable (Pentair), Proctor and Gamble, Kirklands and Sonoco. Since 1994,  
3 the combined investment total of all new and expanding industry announcements in  
4 Jackson-Madison County was just over \$1.3 billion, with more than 7,000 new jobs  
5 created. As a matter of fact, one factor that was instrumental in JEA's decision to  
6 construct a fiber to the home broadband network was the loss of potential industry  
7 recruits due to the lack of a high speed network.

8  
9 Because of the unique capabilities of the fiber to the home network and because JEA has  
10 elected to utilize a carriers' carrier model, the telephone business unit is, in fact, a small  
11 part of the operations of the Telecommunications Division. Keep in mind that under our  
12 current business model, much of the operational burden operations has now shifted to the  
13 retail providers—the CLECs who will use our network. Yet, while the telephone  
14 business unit may be small from an operational standpoint, it should be truly significant  
15 from a competitive standpoint, because the telephone business unit will provide a  
16 complete facilities-based competitive alternative for CLECs that choose to offer  
17 residential and business telephone service in Jackson.

18  
19 On page 4, lines 12-14 and on page 9, lines 3-5 of his testimony, Mr. Barta attempts to  
20 characterize the network as a fancy, expensive way to provide cable television service.  
21 However, he completely overlooks the fact that JEA will utilize the network to provide  
22 broadband internet service, and that the network will have the capability of delivering up  
23 to 500 Mbps of bandwidth to a single subscriber over a single fiber. Mr. Barta states that

1 we have “heralded the Network as a region wide economic catalyst,” (page 5, lines 1-2);  
2 he observes that “one can scarcely accept the Company’s claim that the Network will  
3 stimulate economic development” (page 9, lines 1-3); and he concludes that JEA’s claim  
4 concerning economic development “rings hollow” (page 9, line 6).

5  
6 In the Application, JEA states that the network will “facilitate economic development,”  
7 and in the press release cited on page 7, lines 5-21 of Mr. Barta’s testimony, Mr. Kersey  
8 says that the network “will certainly help.” Mr. Barta’s exaggerations notwithstanding,  
9 based upon my experience with economic development activities, I believe that these are  
10 fair statements. The operational role of the telephone business unit may be small, but the  
11 total impact of the network on economic development should be meaningful for the City  
12 of Jackson and the surrounding area.

13  
14 **Q. TURNING NOW TO MR. BARTA’S COMMENTS CONCERNING THE CABLE**  
15 **AND INTERNET BUSINESS UNITS, MR. BARTA STATES ON PAGE 10, LINES**  
16 **3-5 OF HIS TESTIMONY THAT THE APPLICATION “DOES NOT DISCLOSE**  
17 **ANY FINANCIAL, OPERATIONAL OR OTHER INFORMATION REGARDING**  
18 **THE CABLE TELEVISION BUSINESS UNIT AND THE INTERNET ACCESS**  
19 **BUSINESS UNIT.” DO YOU AGREE WITH THAT STATEMENT?**

20 **A.** No, I do not agree with that statement, nor do I agree with its premise – with all due  
21 respect to the Authority – that JEA is required to address the managerial, financial or  
22 technical ability of its cable and internet operations in order to obtain a certificate of  
23 convenience and necessity to provide services as a carriers’ carrier. In the Application, I

1 believe that JEA has appropriately presented the telephone business unit as a discrete  
2 business unit for regulatory purposes within the larger Telecommunications Division.  
3 We have presented discrete pro forma financial statements for the telephone business unit  
4 along with evidence of our financial ability to cover working capital requirements within  
5 the telephone business unit. We have also presented biographical information concerning  
6 the key management team members who will be available for the telephone business  
7 unit's operations.

8  
9 Even if the financial, management and technical abilities of JEA for the cable and  
10 internet business units were relevant – a point that we do not waive or concede from a  
11 legal standpoint – then I believe that JEA can easily make the showing that we have these  
12 abilities. Concerning the financial aspects of the cable and internet business units, on  
13 page 7 of the Application, JEA refers to the JEA Board of Directors' authorization to  
14 issue up to sixty million dollars (\$60,000,000) of bonds to provide for the construction  
15 and operating expenses for the cable and internet system, and I also referred to this bond  
16 authorization on pages 8 and 9 of my pre-filed direct testimony. The JEA cost allocation  
17 manual also provides considerable detail concerning the allocation of costs across the  
18 Divisions of JEA as well as within the Telecommunications Division itself. From a  
19 technical or operational standpoint, pages 3 and 4 of the Application provide an  
20 operational and technical overview of the fiber to the home cable and internet system,  
21 and from a managerial standpoint, Exhibit G of the Application provides biographical  
22 information for “the key management team members of Jackson Energy Authority who

1 will be involved with the JEA Telecommunications Division,” which includes the Cable  
2 and Internet business units as well as the telephone business unit.

3  
4 **Q. PLEASE PROVIDE AN UPDATE CONCERNING ANY NEW MEMBERS OF**  
5 **THE JEA TEAM WHO WILL BE INVOLVED WITH THE NETWORK.**

6 A. Since our Application filing in July, JEA has hired a Manager of Broadband Operations,  
7 Mr. Ben Lovins, who supplements our technical competence in fiber network operations.  
8 The resume of Mr. Lovins is included as a Exhibit JWW-1.

9  
10 **Q. DOES JEA INTEND THAT THE CABLE AND INTERNET BUSINESS UNITS**  
11 **WILL COMPLY WITH THE COST ALLOCATION MANUAL FOR THE**  
12 **TELECOMMUNICATIONS DIVISION?**

13 A. Yes. As I indicated in my pre-filed direct testimony, JEA has a long history of allocating  
14 costs across its utility operating divisions, and we began implementing the Cost  
15 Allocation Manual as of July 1, 2003. If the Authority approves the Application and  
16 accepts the Cost Allocation Manual as proposed, JEA will continue to apply the  
17 provisions of the Cost Allocation Manual for each business unit within the  
18 Telecommunications Division.

19  
20 **Q. WILL THE AUTHORITY AND ITS STAFF HAVE ACCESS TO INFORMATION**  
21 **CONCERNING THE CABLE AND INTERNET BUSINESS UNITS?**

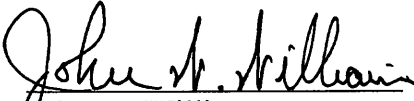
22 A. Yes, the Cost Allocation Manual as proposed in the Application will provide this access.  
23 The annual reporting requirements on page 19 include total costs charged back to each

1 division, updates of allocation factors used to allocate costs among the divisions and  
2 business units, and financial statement data for each JEA division and business unit.  
3 Page 20 of the Cost Allocation Manual requires JEA to maintain books of account and  
4 supporting information to permit verification of compliance with the cost assignment and  
5 allocation principles, and the Authority is granted access to personnel of the telephone  
6 business unit who will be capable of responding to Authority inquiries.  
7

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 A. Yes, it does.

I swear that the foregoing testimony is true and correct to the best of my knowledge, information and belief.

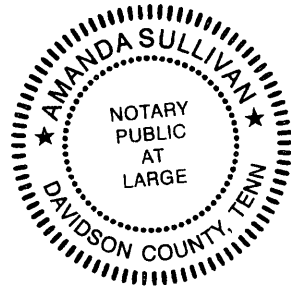
  
John W. Williams

President and Chief Executive Officer  
Jackson Energy Authority

Subscribed and sworn to me this 4<sup>th</sup> day of November, 2003

  
NOTARY PUBLIC

My commission expires September 22, 2007



### **EXHIBIT JW-1**

Mr. Benjamin A. Lovins was employed by the Jackson Energy Authority in September 2003 as the Manager of Broadband Operations for the Telecommunications Division. Prior to joining JEA, Mr. Lovins held the position of Engineering Manager for Comcast Cablevision of Little Rock, Inc. where he managed key technical aspects of the 86,000 subscriber operations. His primary responsibilities included network maintenance and construction management, oversight of headend and hub facilities including fiber interconnect maintenance, broadband engineering related to high speed data circuits and CMTS (broadband router) equipment, establishing interconnect facilities to remote users, oversight of dispatching and converter control functions, and serving as the technical resource for senior management for budgeting, operations, and constructions. Mr. Lovins has extensive experience in fiber optic management for 1550 nm transmission and 1310 nm distribution networks. He also has worked with various Ethernet applications for point-to-point and managed bandwidth networks. During his fifteen year tenure with the Comcast operation, Mr. Lovins also served as Headend Engineer, managing the critical facility and performing all required testing, certification, and reporting. Mr. Lovins holds an Associates Degree in Electronics Engineering from the National Education Center and has received digital headend equipment training from Motorola Broadband Network Services.